

Perry Township Assessor's office Character 1 Funds

As of October 2007 settlement.

**The total amount left in Character & Reassessment) \$91,651.57** for Perry Township (including both County General

There are 5 pay periods from this point forward with each pay period requiring \$23,490.53 including fringes.

Total needed to complete the year with absolutely no surprises \$117,452.65.

This leaves a total amount needed to meet payroll of \$25,801.08.

No extras have been accounted for in regards to a 3<sup>rd</sup> pay in a month.

No monies have been deducted for long term disability payments as of yet. \$1,445.00 in budget for those payments. Last year there was a payment of \$1202.28 from these funds eventhough no employees were put on long term disability.

December 1, 2007 is the start of the new payment amounts for health insurance and no amounts extra have been allotted in the calculations above.

If any employees were to leave for any reason, it would require a pay-out of accrued benefit leave time.

Therefore, per budget, we need the \$27, 246.08 plus any amounts to cover a 3<sup>rd</sup> pay and any possible pay-out of benefit leave time. With a \$30,000.00 appropriation we are leaving a possibility of \$2,753.92 for use in the 3<sup>rd</sup> pay, benefit leave time, and health insurance increases.

Absolutely no monies are being used for overtime, or extra payment to employees. This is strictly an amount to cover regular operational salaries.

There was also a pay increase allowed for 2007 that should have been calculated in the budget.

**In 2006 the actual Character 1 usage amount was \$561,392.16. This amount reflects Perry Township being short 2 employees for most of the year. One was not replaced for 8 full months, the other for 9 full months in 2006.**

**Also in 2006 our budget included \$110,800.00 in unused Character 1 funds that was given back so that other townships may fully fund their payroll and to make up for a shortfall in County Reassessment funds. Had we received our full budget from last year, we would not be asking for an increased allocation, but be giving back funds.**

**This shortfall will reoccur with the 2008 budget as our Character 1 funds were not increased when this was brought up during the budget process.**

Exhibit B

# 2007 Revenues compared to Budget as of September 30, 2007

DESCRIPTION	REVENUE YTD SEPT 30, 2007	2007 ANNUAL BUDGET	UNREALIZED REVENUE CY	% OF REALIZED REVENUE
Property Tax	\$ 83,105,645	\$ 192,640,903	\$ 109,535,258	43%
Tax Increment Financing	15,846,552	49,288,190	33,441,638	32%
County Option Income Tax	63,310,478	85,620,219	22,309,741	74%
Storm Water Management	10,635,627	18,000,000	7,364,373	59%
Pension Relief	45,266,575	41,270,000	(3,996,575)	110%
Motor Vehicle Highway Taxes	26,586,233	34,625,000	8,038,767	77%
State Collected Distribution	11,542,786	27,386,002	15,843,216	42%
State and Federal Grants	11,147,896	27,994,346	16,846,450	40%
Sewer Fees	70,056,468	91,036,759	20,980,291	77%
Local Fees	6,603,881	10,856,756	4,252,875	61%
Ordinance Violations	1,958,668	2,465,081	506,413	79%
Other Revenue	94,042,062	130,700,782	36,658,720	72%
	<u>\$ 440,102,870</u>	<u>\$ 711,884,038</u>	<u>\$ 271,781,167</u>	<u>62%</u>

Original Budget	Budget Amendments	Amended Budget (Appropriation)	Current Year Expense	Current Year Encumbrances	Available Balance	Percentage Available
				Percentage of Year Remaining:		25.0%
71,312,675	4,444,354	75,757,029	56,048,673	607,756	19,100,600	25.2%
41,510,702	854,565	42,365,267	27,815,153	0	14,550,114	34.3%
112,823,377	5,298,919	118,122,296	83,863,826	607,756	33,650,714	28.5%
143,727,869	0	143,727,869	112,592,758	995,838	30,139,273	21.0%
48,691,241	0	48,691,241	31,612,458	0	17,078,783	35.1%
192,419,110	0	192,419,110	144,205,216	995,838	47,218,056	24.5%
29,724,525	0	29,724,525	18,841,826	4,686,141	6,196,557	20.8%
11,557,630	88,000	11,645,630	6,265,102	4,284,148	1,096,380	9.4%
41,282,155	88,000	41,370,155	25,106,928	8,970,290	7,292,938	17.6%
53,369,698	2,000,000	55,369,698	34,729,060	14,047,440	6,593,198	11.9%
8,137,583	0	8,137,583	8,121,725	0	15,858	0.2%
61,507,281	2,000,000	63,507,281	42,850,785	14,047,440	6,609,056	10.4%
1,694,198	1,302,000	2,996,198	1,234,696	755,947	1,005,555	33.6%
3,047,604	0	3,047,604	1,649,664	832,366	565,575	18.6%
24,693,028	2,755,798	27,448,826	9,348,058	11,209,768	6,891,003	25.1%
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10,074,824	0	10,074,824	9,921,771	0	153,054	1.5%
17,576,037	0	17,576,037	10,393,804	0	7,182,233	40.9%
12,675,500	650,000	13,325,500	5,789,394	3,731,790	3,804,317	28.5%
69,761,191	4,707,798	74,468,989	38,337,385	16,529,868	19,601,735	26.3%
50,626,775	1,729,471	52,356,246	36,385,272	4,728,599	11,242,375	21.5%
44,803,374	13,572,550	58,375,924	33,279,898	13,945,901	11,150,125	19.1%
26,674,645	145,280	26,819,925	19,341,548	1,425,144	6,053,232	22.6%
5,562,634	0	5,562,634	5,476,175	0	86,459	1.6%
9,296,666	0	9,296,666	9,272,849	0	23,817	0.3%
4,223,953	0	4,223,953	4,218,596	0	5,356	0.1%
2,500,000	0	2,500,000	411,870	1,081,855	1,006,276	40.3%
5,776,210	5,750,000	11,526,210	2,551,004	5,481,162	3,494,043	30.3%
149,464,257	21,197,301	170,661,558	110,937,213	26,662,662	33,061,683	19.4%
627,257,371	33,292,018	660,549,389	445,301,354	67,813,854	147,434,181	22.3%

Marion County  
Monthly Status Report by Fund  
As of Period Ended September 30, 2007

Percentage of  
Year Remaining: 25.0%

	Original Budget	Supplemental Budget	Total Current Year Budget	Current Year Expense	Current Year Encumbrance	Current Year Available Balance	Percentage Available
County General Fund	214,226,773	466,300	214,693,073	147,817,532	10,589,927	56,285,614	26.2%
Metropolitan Emergency Comm Agency	12,002,566	0	12,002,566	6,335,487	312,708	5,354,371	44.6%
MECA Emergency Telephone System Fun	1,911,444	0	1,911,444	1,423,219	111,231	376,995	19.7%
Property Reassessment	3,058,317	0	3,058,317	1,605,553	21,165	1,431,599	46.8%
Law Enforcement	1,163,129	230,662	1,393,791	515,981	141,619	736,191	52.8%
Law Enforcement Equitable Sharing	183,425	0	183,425	59,150	20,936	103,339	56.3%
Surveyor's Perpetuation Fund	173,051	0	173,051	39,458	1,979	131,614	76.1%
County Records Perpetuation	2,556,044	0	2,556,044	1,477,041	15,466	1,063,537	41.6%
Auditor's Endorsement Fee Fund	24,000	0	24,000	0	0	24,000	100.0%
Clerk's Perpetuation Fund	338,010	0	338,010	137,749	36,279	163,982	48.5%
Enhanced Access	101,600	0	101,600	168	0	101,432	99.8%
Adult Probation	2,790,095	0	2,790,095	1,540,133	0	1,249,962	44.8%
Juvenile Probation	599,648	0	599,648	318,433	0	281,215	46.9%
Guardian Ad Litem	185,000	0	185,000	182,564	0	2,436	1.3%
Diversion	708,712	18,565	727,277	840,224	0	-112,947	-15.5%
Alternative Dispute Resolution-Supe	128,583	0	128,583	49,850	0	78,733	61.2%
Alcohol & Drug Services	606,163	0	606,163	598,195	0	7,968	1.3%
Drug Testing Laboratory Fund	756,579	0	756,579	542,682	0	213,897	28.3%
Drug Free Community	575,000	65,000	640,000	274,358	256,588	109,054	17.0%
County Extradition	135,539	0	135,539	56,216	0	79,323	58.5%
Mc Sheriff's Civil Division Fees Fu	3,768,106	0	3,768,106	381,768	0	3,386,338	89.9%
Supplemental Public Defender	250,000	0	250,000	89,343	146,095	14,562	5.8%
Deferral Program Fee	4,448,900	400,468	4,849,368	2,277,000	18,975	2,553,393	52.7%
Conditional Release Fund	271,188	0	271,188	229,625	11,632	29,931	11.0%
Jury Pay Fund	150,000	0	150,000	0	0	150,000	100.0%
Drug Treatment Diversion Program Fu	0	0	0	0	0	0	-na-
Family & Children Services Fund	97,918,000	0	97,918,000	73,919,870	0	23,998,130	24.5%
Children's Psychiatric Residential	2,338,350	0	2,338,350	1,319,246	0	1,019,104	43.6%
Local Emergency Planning & Right To	100,000	0	100,000	40,287	0	59,713	59.7%
County (Corrections) Misdemeanant	616,933	0	616,933	430,361	49,733	136,840	22.2%
Home Detention	3,638,468	32,500	3,670,968	2,680,858	386,589	603,521	16.4%
State & Federal Grants	11,139,008	0	11,139,008	5,452,107	1,770,492	3,916,409	35.2%
County Grants	262,976	0	262,976	118,352	0	144,624	55.0%
Welfare Sinking	35,000,000	0	35,000,000	17,796,990	0	17,203,010	49.2%
Capital Improvement Leases	2,258,400	0	2,258,400	1,139,700	1,003,500	115,200	5.1%
Juvenile Incarceration Debt Service	19,890,951	0	19,890,951	0	0	19,890,951	100.0%
Cumulative Capital Improvement	2,616,548	7,927	2,624,475	962,919	1,458,715	202,841	7.7%
Information Services	28,383,807	5,548,908	33,932,715	18,157,306	12,294,962	3,480,447	10.3%
<b>Grand Totals:</b>	<b>455,275,313</b>	<b>6,770,330</b>	<b>462,045,643</b>	<b>288,809,723</b>	<b>28,648,589</b>	<b>144,587,331</b>	<b>31.3%</b>

Standard & Poor's Ratings Services has revised the city's outlook to stable from negative. The stable outlook reflects the return to a structurally balanced budget and the plan to fund the city's unfunded pension liability. The outlook on various other obligations secured by the city's property tax pledge or moral obligation pledge have also returned to stable. The 'AAA' ICR reflects the city's:

- Deep and diverse economy exhibiting stability and consistent growth;
- Continued above average financial position; and
- Prudent management, which continues to address fiscal challenges despite political difficulties.

As a result of House Bill 1478, the state legislature in 2007 gave local municipalities the ability to increase the local income tax to compensate for lost revenue due to property tax caps that were adopted in the 2006 legislative session. By special resolution this past summer, the city-county council increased the county option income tax to 1.65% from 1%. The increase, estimated at \$87 million, will be dedicated to fund public safety and criminal justice and thus relieve the 2008 budget from significant expenditure pressure in this area. As a result of the increased income tax revenues, the city was able to adopt a structurally balanced fiscal 2008 budget. As well, the city plans to issue pension obligation bonds secured by income tax revenues in the first quarter of fiscal 2008 to fund its unfunded \$450 million police and fire pension liability.

Despite having one of the more diverse and steadily growing economies in the Midwest, Indianapolis has been unable to capitalize on this strength because its allowable revenues were not able to fully benefit from this growth. Although the unreserved general fund balance has remained above average—unreserved general fund balance was at 27% of expenditures, based on fiscal 2006 audited results—structural deficits have grown each year, and tax caps passed by the state legislature in 2006 worsened the problem.

The current proposal by the Governor to increase the property tax cap to 1% across the state and replace the school operating revenues with a state-wide 1% increase in the sales tax, would likely impact the city's future property tax revenues like it would all units of government, however it is still unclear whether the proposal will be adopted and in what manner the final property tax reform will impact local municipalities. S&P will review all municipalities on a case by case basis once the reform has been adopted to see the credit impact. As part of the city-county's 2008 budget the city-county council mandated a property tax freeze for two years on all local taxing units within the county except for the schools. This measure is also important given that the county has been required by the state to reassess all of the property within the county and had to base its 2008 tax rate on the 2006 payable 2007 property tax assessment.

The city's overall debt burden is average at 4.66% of market value and \$2,521 per capita, due to heavy school district issuance. Net direct debt as a percent of market value is considered average as is net direct debt per capita at \$1,029. Debt service of \$94 million equaled roughly 12.5% of governmental expenditures in 2006. While the pension bonds should add another \$30 million in annual debt service, this would still be considered manageable; the city steadily shifted away from property tax funding for infrastructure needs during the 1990s, and this is expected to remain the case. As well, the pension obligation bonds will be secured with a first lien on the county option income tax. The city's other postemployment benefits are very manageable, as retiree health care cost subsidies exist just for police and fire employees and their spouses until the age of 65; the city's subsidy is capped at \$1.2 million annually. In addition, the obligation to provide this subsidy exists only as a term of the current labor agreement.

#### OUTLOOK

The return to stable from negative is based on the city's ability to increase the county option income tax and adopt a structurally balanced fiscal 2008 budget. The city-county council has also approved plans to issue pension obligation bonds in 2008 to fund its unfunded police and fire

pension liability. The depth and diversity of the city's economic base also lend stability to the rating.

**Economy: Strong, with mature, diverse tax base**

Indianapolis' strong economy is underpinned by its large transportation network, which includes extensive highway and rail access; an average cost of living and affordability factor; and a maturity and diversity of its base and of the city, all of which make the city a desirable location for investment. Indianapolis' population growth has recently stabilized to an estimated 2006 population of roughly 785,000. Marion County's estimated population was a little over 864,500 in 2006. The strength of the city's employment base is reflected by jobs being created faster than the losses that are being experienced, mostly in the manufacturing sector. As of July 2007, total employment grew 1.8% year-over-year. The highest gains were in the leisure and hospitality, construction, natural resources and mining, and government sectors. Global Insight predicts that total employment in 2007 will advance 1.2% and should continue with average annual gains of 1.6% through 2011. The strongest sectors in the next five years are projected to be education and health services (up 3.0%) and transportation, trade, and utilities (up 2.2%). All sectors are expected to see growth over the forecast period except for manufacturing.

The city's economic base reflects the nation's relative dispersion of jobs, led by the trade and services sectors. Manufacturing accounts for about 11% of jobs, which is low compared with the state and the Great Lakes metropolitan areas. Transportation companies dominate the manufacturing base. The city (4.8%) and county (4.9%) unemployment rates in 2006 were slightly above the nation (4.6%), but just below the state's average (5.0%). WellPoint, a health insurance company, opened a new facility in 2007 which the company predicts will employ an additional 900. In 2006, Rolls-Royce announced that it will expand operations increase employment by 600.

The leading employers are:

- " Eli Lilly & Co. (14,000 employees),
- " Clarian Health Partners (7,503),
- " Community Health Network (7,500),
- " IUPUI (7,066),
- " FedEx Corp. (6,311),
- " St. Vincent's Hospital (6,000),
- " Rolls-Royce Motor Cars Ltd. (4,000),
- " Allison Transmission (4,000),
- " AT&T Indiana (3,500), and
- " WellPoint (3,000).

Countywide income levels remain consistent with national averages. Marion County's 2006 per capita effective buying income (EBI) was \$20,296, which was 102.6% of the national level. Median household EBI was \$39,084, or 96.4% of the national level, in 2006. Per capita retail sales were 120.0% of the national level in 2006.

AV has stagnated and declined since the statewide reassessment in 2003, to \$39.63 million in 2005 from \$41.82 million in 2003. This is the result of tax appeals and the phasing out of inventory taxes. However, aside from inflationary increases, the city is not likely to experience much growth in AV, since it is nearly built out. Due to inaccuracies in the valuations calculated as part of the new annual trending process (revalue to more closely reflect sales data) in the county, the governor ordered a reassessment of all property in Marion County for 2006 pay 2007 valuations. The reassessment must be completed by February 1, 2008. The tax base is not concentrated, with the 10 leading taxpayers representing less than 10% of AV.

INSERT TABLE 1

**Finances: Budget returns to structural balance**

Fiscal 2008 budget for the city-county budget totals \$1.045 billion, an increase of just 0.2% (\$1.87



million) over the fiscal 2007 budget of \$1.043 billion. Of the total city county budget, 55% of expenditures are for public safety and criminal justice, 15% for public works, 10% for child services and 7% for executive, legislation and administration. The adopted 2008 city budget has \$683 million in revenues, an increase of \$53.55 million over the 2007 budget. At the same time, the county budget totals \$421.56 million, which represents a decrease of \$22 million over the county's 2007 budgeted revenues. The 2008 budget included \$87 million in new revenues due to the increase in the income tax rate to 1.65% from 1%. The new revenues have been earmarked for funding public safety and criminal justice including the hiring of 100 new police officers. The 2008 highlights include a \$50.4 million decrease in the property tax levy due to a reduction in the child welfare debt service (\$35 million was paid down in 2007) and the use of the local option income tax to offset the levies for the county general, consolidated county, TIF replacement, city and cumulative capital funds. The budget also included \$30 million to fund the pensions.

The 2008 budget was impacted by the reassessment that was ordered by the Governor earlier this summer. The council based its tax rates off of the 2006 assessment. Part of the budget resolution also mandated a tax freeze for two years by all local taxing units within the county except for the schools. The council will rely on income tax growth to replace any growth that city-county should have had in the property tax levies. The city projects its fund balance at the end of 2008 to total \$131.3 million in all funds, an increase of \$10.36 million over the projected ending 2007 budgetary fund balance for all funds.

In 2007, the Mayor continued the cost-cutting measures. The city has cut over \$83 million out of its budget over the last 4 years. There continues to be a hiring freeze for all non-public safety agencies across the city and county. The original 2007 budget for the city totaled \$629.5 million. The city appropriated \$22.4 million from the 2006 unreserved fund balance to balance the 2007 budget. As of 8/31/07, the city is at 70.4% of its budgeted expenditures including encumbrances; the total city-county budget has 29.1% available. The total 2007 budgetary fund balance of all funds is projected by the city to be \$120.95 million.

The city's fiscal 2006 audit showed a \$7.35 million operating deficit after transfers out bringing the ending fund balance to \$210.26 million, or an above average 41.6% of operating expenditures. The unreserved general fund balance of \$136.6 million, was also above average at 27.9% of operations. General fund revenues came in \$25.6 million over budgeted estimates while general fund expenditures were underspent by \$12.3 million. On a total governmental basis, net assets increased by \$2.7 million, bringing the net asset position to \$884 million. The net asset position includes the negative \$354.5 million unrestricted deficit due mainly to the unfunded net pension obligation. Property taxes accounted for 61.2% of total revenues followed by income taxes at 15.8% and other taxes at 8.5% of total revenues.

#### **Financial Management Assessment: 'Good'**

Indianapolis' management practices are considered good under Standard & Poor's Financial Management Assessment (FMA) methodology. An FMA of good indicates that practices exist in most areas, although not all may be formalized or regularly monitored by governance officials. Revenue and expenditure assumptions are generally well founded as most revenues (property taxes and income taxes) and expenditures (labor costs) are known before the budget is adopted. The city monitors budget to actual performance and reports to the city-county council on a monthly basis. In 2005, the Indianapolis Chamber of Commerce assisted the city, county, and other taxing districts with the preparation of a five-year long-range forecast for the first time. The forecast used historical trends and pending challenges to prepare the projections; it specifically identified the budget effect of pending challenges and also examined the effect of current trends on fund balance levels. The city and county intend to update the forecast annually. The city also has a five-year capital improvement program that specifies funding sources and is updated semiannually. The city has a formally adopted investment policy that is monitored quarterly by administration officials, although little information outside of earnings is formally shared with the city-county council on a periodic basis. Debt policies include guidelines for refundings and

appropriate amortization lengths, as well as a comprehensive derivatives policy that requires monthly monitoring of any such products. The city has no targeted fund balance policy at this time, although the Chamber of Commerce has recommended a level equal to 10% of expenditures.

#### **Debt Derivative Profile**

The city has entered into a floating to fixed-rate swap agreement that currently hedges the 2002F moral obligation bonds ('AAA/A-1+', SPUR 'AA'); total notional amount of \$128.905 million. The city also has a floating to fixed rate swap on the 2003A redevelopment district's taxable junior subordinate tax increment revenue refunding notes (has city's moral obligation pledge); total notional amount of \$14.6 million. The 2002F swaps is with Bear Stearns Financial Products (rated 'AAA') and with Bank One, NA (merged with JP Morgan Chase Bank, NA rated 'AA-', with MBIA 'AAA' insurance). The 2003A swap is with Key Bank (rated 'A').

Following a review of Indianapolis's three outstanding swaps, the city has been assigned a Standard & Poor's Debt Derivative Profile (DDP) overall score of '1.5' on a scale of '1' to '4', with '1' representing the lowest risk and '4' the highest.

The overall score of '1.5' reflects very low risk and reflects the following:

- Highly rated swap counterparties that are all required to post collateral before a credit event occurs;  
The above average economic viability of the swap portfolio over stressful economic cycles;  
Minimal termination risk; and
- Good management oversight with a formally adopted swap management policy.

The city is recently adopted a swap management policy and the swap portfolio is actively managed internally. Economic viability is above average as the swaps on the 2002F bonds are at 74% of LIBOR and the swap on the 2003A bonds is based on BMA; which should have above average performance over stressful economic cycles. Indianapolis's three swap counterparties are all highly rated, all of which covenant to post collateral, thereby presenting minimal counterparty risk to the city. The 2002F swaps have a collateral posting event for the city if the rating on the bonds was downgraded to 'BBB+' and a credit event if the city's long-term senior unsecured rating (GO rated 'AAA') fell below 'A-'. The 2003A swap agreement does not list any additional termination events. There is negligible involuntary termination risk under the swaps due to very broad ratings trigger spread. S&P is not factoring in the value at risk as a contingent liability at this time due to the remoteness of involuntary termination.